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INTERIM

Report

...March 18, 1966

SPOONER

MINES AND OILS LIMITED

Interim Report

SPoonER MINES AND OILS

LIMITED

TO THE SHAREHOLDERS:

In introducing this report, attention is directed to the fact that Spooner Mines & Oils Limited has programmed its 1966 exploration-development activities along a considerably broadened horizon. The aggressive approach the Company is now taking towards furthering its aims and objectives is significant of a newly acquired ability to do so. Accordingly, in order that the "new Company picture" may be viewed in proper perspective, pertinent background material has been included in this report.

Some fifteen months ago the cash position of the Company had been substantially enlarged as a result of the sale of its share holdings in Sarcee Petroleums Limited to Husky Oil (Canada) Limited. Thus for the first time in several decades, Management was in a position of having adequate financial resources to effectively plan the future. The Board of Directors met to consider the growth prospects of the Company, in the two highly specialized fields of Mining and Oil and Gas.

The issue to be resolved was born of the knowledge that success in either field depends largely on the quality of managerial direction and control at the departmental level. In order for Spooner to develop a vigorous growth pattern by which it could perpetuate the enlargement of both its portfolio and production potential, some ten months ago, Management resolved the issue by forming the new Oil and Gas Division. Relative thereto, announcement was made of the appointment of John B. Maughan, B.Sc., M.P.E., as Vice-President in charge of the Oil & Gas Division, based at Calgary, Alberta. Mr. Maughan was, prior to his appointment, Chief Petroleum Engineer of J. C. Sproule Associates Limited of

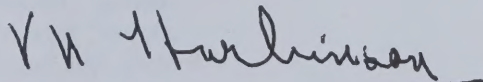
Calgary, Alberta, one of the leading consulting firms to the Canadian oil and gas industry. In the ten months since its formation the Oil & Gas Division has proven to be a solid functional success.

On January 20, 1966, the Company announced the appointment of Vernon A. Oille, B.Sc. Mining and Metallurgy, as Vice-President of the newly-formed Mining Division headquartered at Toronto, Ontario. Mr. Oille, up until his recent appointment, had been a member of the staff of Noranda Mines Limited for 30 years. Having served in various capacities in the field and underground, he brings a wealth of experience to the Mining Division which in the short period since its formation already has several important projects in motion.

With both Divisions budgeted for full program schedules during the current year, a new operative balance and resiliency has become evident within the Company.

Net working capital as at February 28, 1966, was approximately \$600,000.00. Net profit for the eight months ended February 28, 1966, was \$63,300.00.

Details of current programming are provided elsewhere in this Report.


V. N. Harbinson,

President.

Toronto, Ontario,
March 18th, 1966.

MINING DIVISION

GENERAL: As previously mentioned, Spooner has several field projects now underway — a large base metal exploration undertaking in Northern Maine, U.S.A. and a silver-lead development considered to have important new ore-making possibilities in the La Dura district of Sonora, Mexico.

NORTHERN MAINE, U.S.A.

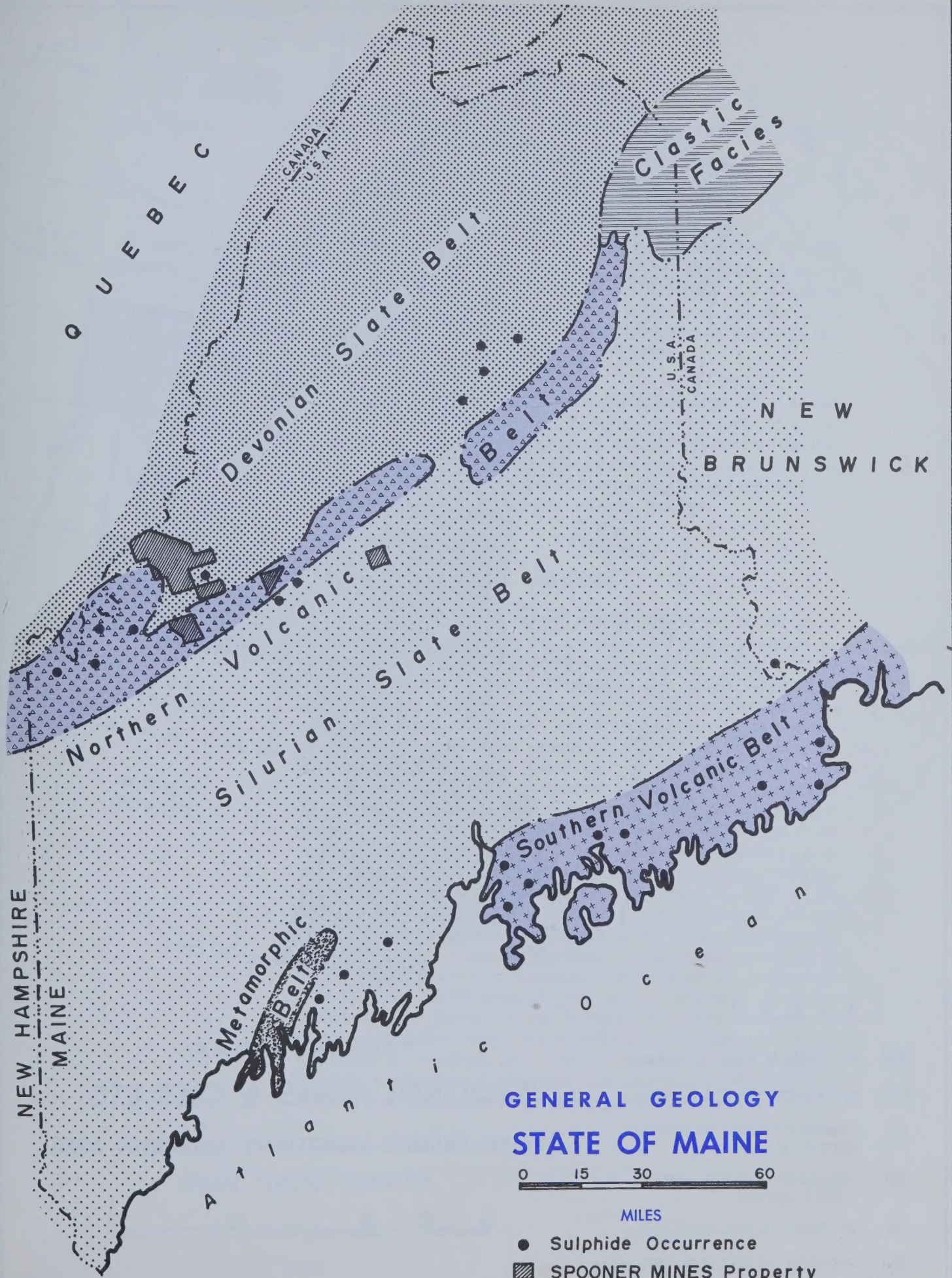
For the past two or three years there has been a growing interest by both Canadian and American organizations in a southwest-northeast trending belt of volcanic rocks in the northern section of the State. Now established as the southwesterly extension of the same sulphide-bearing structure in which the ores of the Bathurst area in New Brunswick are currently being developed, this Northern Volcanic Belt has become the exploratory target in the search for ore-making sulphide deposits. Records of the Maine Geological Survey show copper and zinc sulphides reported and prospected in several places throughout the southwestern part of the Belt from Moosehead Lake to northern New Hampshire. Reference is also made to exploration currently being conducted on a copper-molybdenum prospect on a portion of a quartz-monzonite body in northern Somerset County.

Spooner has acquired by agreements and by staking four projects situated within and adjacent to the Northern Volcanic Belt in the northwestern and central section of the State (see map).

The Company holdings comprise a total of approximately 276.2 square miles (176,700 acres) of selected acreage in 3 different areas, and is believed to be one of the largest exploration plays undertaken to date in the State of Maine. Spooner Mines & Oils Limited has retained Dr. Robert S. Young, Professor of Geology, University of Virginia, to supervise overall field work activity.

THE ATTEAN QUARTZ-MONZONITE BATHOLITH ACREAGE:

Situated in Somerset County in northwestern Maine extending southeasterly from the Quebec-Maine boundary, this acreage is contained within two blocks (see map) embracing a total of approximately 241.2 square miles (144,368 acres) acquired through agreements and staking. Incentive here is the definite possibility of locating a "porphyry copper" type of deposit with large tonnage potential. The initial field work will basically entail Geochemical and Geological reconnaissance surveys. These will be followed by Induced Polarization Surveys and diamond drilling, if warranted. Geophoto Survey interpretation is currently underway. Spooner is presently completing negotiations with a major Mining Company seeking participation in the exploration-development of this specific project.

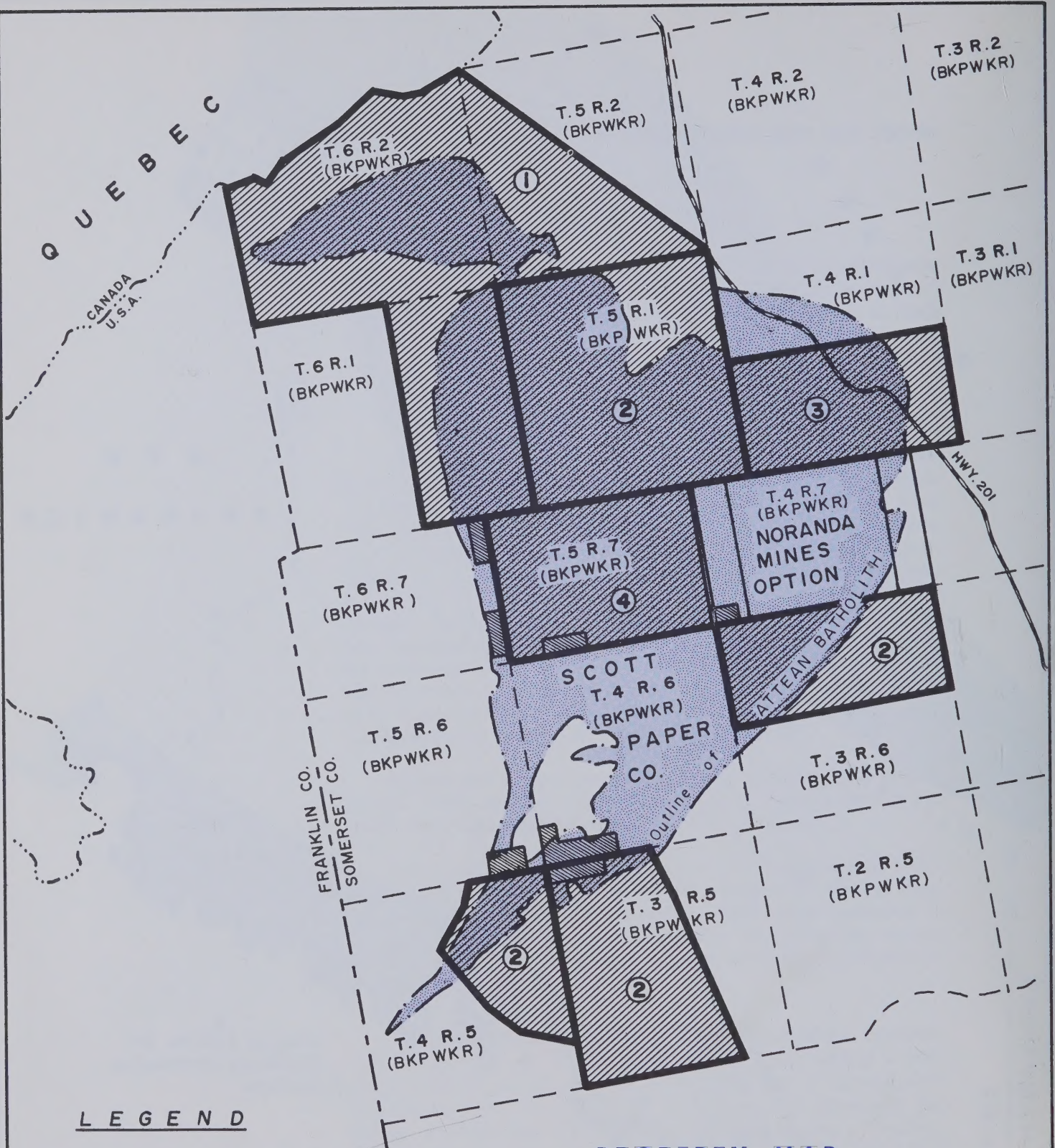


**GENERAL GEOLOGY
STATE OF MAINE**

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MILES

- Sulphide Occurrence
- ▨ SPOONER MINES Property



LEGEND

-  SPOONER MINES claims
-  SPOONER MINES options
- ① SPOONER-GREAT NORTHERN PAPER CO. option
- ② SPOONER-COBURN LANDS TRUST option
- ③ SPOONER-W. PHILBRICK option
- ④ SPOONER-REYNOLD PAQUET option

PROPERTY MAP **SPOONER MINES & OILS LTD.** **ATTEAN QUARTZ MONZONITE BATHOLITH AREA** SOMERSET COUNTY, MAINE



MILES

MINING DIVISION

**CHASE STREAM:
LINEAMENT ACREAGE:**

Situated in Somerset County, northwestern Maine, about 25 miles east of the Attean Batholith ground, this holding comprises 15 square miles (9,600 acres) along a Silurian-Devonian contact zone known as the Chase Stream Lineament. Moderate copper and low zinc values have been obtained in this area. A Geophysical Survey started on this property on March 18, 1966.

**HAY BROOK AREA
ACREAGE:**

Situated in Piscataquis County, central Maine, about 30 miles east of Moosehead Lake, this holding comprises approximately 25 square miles (16,000 acres) on a geochemical anomaly identified as the Hay Brook Anomaly. Considered a favourable copper-zinc prospect, the initial field work here will consist of detailed geochemical soil sampling. Geophoto survey interpretation is currently underway.

MEXICO

**LA DURA DISTRICT,
SONORA:**

Spooner holds a 30% interest, which is the largest, in this silver-lead development, embracing the properties of 3 former producers — the Gloria Fortuna, the California and the Prieta. Spooner is the operator. Ore was developed in a strong vein system subjected to periodic faulting which formed "terraces" caused by a flattening of the ore-bearing structure. Copper values are also present in the ore material. Well documented records of development work done by past operators between the period 1910 to 1913 indicate all three mines were developing good to excellent grade silver-lead ore material when production operations were terminated, leaving sizeable tonnages of mineable ore still in place. Operations were forced to close down because of a major revolution. During that period an unusual rise in the water level of the Yaqui River flooded the underground workings. In recent years dams have been installed to control the level of the river and the threat of flooding has been thereby eliminated. Current activity is concentrated on rehabilitation of the Gloria Mine development and the vein system in this vicinity. Unwatering operations at the Gloria shaft have been completed and walls of the development drifts are being washed down for preliminary investigation. Company Consultants are leaving for the property this month to make an economic feasibility study. An initial program of diamond drilling is planned to investigate the continuity of the ore zone at depth. Tentative arrangements have already been completed for the leasing of a nearby mill with a 250-ton-per-day capacity.

OIL AND GAS DIVISION

The following is a Summarized Schedule of the Company's holdings in various oil-gas areas of Alberta and Saskatchewan, Western Canada.

<u>AREA</u>	<u>ACRES</u>	<u>WELLS</u>	<u>% INTEREST BEFORE ROYALTIES</u>
ALBERTA:			
West Provost Area			
West Provost Viking Gas Unit	49,000	Unitized Gas Production	26.3
Leduc Area			
Leduc Woodbend D-2 Unit	57,920	Unitized Oil	.16203
Leduc Woodbend D-2 Pool Unit	18,240	Production	5.25
Turner Valley			
Turner Valley Unit #4		Unitized Oil Production	1.3630
Morinville			
Twps. 55, Rge. 4, W 4M	640		5.00
Cremona Area			
Twps. 29, 17, Rge. 29, W 5M	760		22.5
Pouce Coupe			
Twps. 79, 80, Rge. 12, 13, W 6M	8,483		10.00
SASKATCHEWAN			
Doddsland	320	4 (Oil)	12.5
South Eureka Unit			
Twp. 31, Rge. 22, W 3M	1,280	Unitized Oil Production	.2938
Dollard Area			
Twp. 7 & 8, Rges. 19, 20 & 21, W 3M . .	2,560	1 (Oil)	24.5
Twp. 8, Rge. 21, W 3M	2,560		24.0
Milton Area			
Twp. 30, Rge. 28, W 3M (Under Option)	960	2 (Gas)	90
Twp. 30, Rge. 27 & 28, W 3M	2,600		90
Grattle Area			
Block D-470 (Drilling Reservation)			
Twp. 30, Rge. 29, W 3M	2,240		33.333
Arctic Archipelago			
	160,505		2.116387
	3,869,798		2.912500

The following provides further information in connection with three of the above-named holdings.

OIL AND GAS DIVISION

ALBERTA

WEST PROVOST AREA:

Spooner owns a 26.3% working interest in the West Provost Viking Sand Unit which currently continues to account for approximately 50% of the Company's total net gas production. Spooner is the operator of this unitized development which comprises 49,000 acres situated some 250 miles northeast of Calgary. The Unit produces sweet gas from a Viking Sand pay section at a depth of approximately 2,800 feet. Pipeline reserves are estimated at 105 billion cubic feet of saleable gas, and at present time the Unit is servicing a 20-year contract with Trans Canada Pipe Lines for the sale of 75 billion cubic feet of gas. Unit Processing Capacity is 12 million cubic feet daily with current sales deliveries to Trans Canada running at maximum contract allowables averaging some 10 million cubic feet daily.

SASKATCHEWAN

MILTON GAS FIELD:

Spooner owns a 90% working interest in approximately 3,560 acres in this field and on which two wells have been drilled to date. Producing from the Viking chert formation at a depth of about 2,300 feet, both wells are now tied in to the Saskatchewan Power Company's gas gathering system. Total gas sales from the two wells are currently running an average 1.8 million cubic feet daily net to Spooner. A sales increase to 2 million cubic feet daily may be forthcoming in the near future. The Company is considering the drilling of one or two additional wells on this acreage this summer. Objective will be to extend the present proven limits of the Viking Sand reservoir.

GRATTLE AREA:

Acquisition of 3½ sections from the Saskatchewan Government was obtained in this area in late 1964. Considered to have important gas potential, one well was drilled and abandoned as a dry hole. However in the course of the drilling a thick section of heavy oil sand was encountered. Additional drilling is now under consideration.

GENERAL:

Based on overall gas production record to date, estimates are that Spooner's net share of total gas production will average between 3 to 4 million cubic feet daily during the first half of 1966.



SPOONER

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L. CHRISTENSEN, *Assistant Secretary*
H. WILTON-CLARK, *Assistant Treasurer*

TRANSFER AGENT AND REGISTRAR CROWN TRUST COMPANY, Toronto

SHARE LISTING TORONTO STOCK EXCHANGE
VANCOUVER STOCK EXCHANGE

